



Incentives for Biomass Energy Users

South Carolina law allows an incentive payment for biomass energy generation and a tax credit for biomass energy equipment (Act No. 83, 2007). Eligible biomass resources include wood, wood waste, agricultural waste, animal waste, sewage, landfill gas, and other organic materials. This law has since been updated (Act No. 261, 2008).

What is covered?

- Beginning July 1, 2008 a taxpayer is allowed an incentive payment for production of electricity or thermal energy in a facility not using biomass resources before June 30, 2008, or in a facility which produces at least twenty-five percent more electricity from biomass resources than the greatest three-year average before June 30, 2008. This includes:
 - 1 cent per kilowatt-hour (kWh) for electricity.
 - 30 cents per therm for thermal energy.
- Beginning tax year 2007, a business is allowed an income tax credit or a credit against its license fees up to 25% of the costs incurred by a taxpayer for the purchase and installation of equipment used to create heat, power, steam, electricity, or other form of energy for commercial use from a fuel consisting of at least 90% biomass resources.

Maximum credit allowed

- The biomass incentive payment has a maximum of \$100,000 per year per taxpayer for up to five years. The credit shall not extend beyond July 1, 2013.
- The biomass energy equipment credit is a maximum of \$650,000 per taxpayer per year. The tax credit may not exceed the liability of the taxpayer. Unused credits may be carried forward for 15 years.

Take Note!

- For purposes of the state law and for the incentive payment, biomass resource is defined as wood, wood waste, agricultural waste, animal waste, sewage, landfill gas, and other organic materials. For the biomass energy equipment credit, biomass resources are defined as non-commercial wood, by-products of wood processing, demolition debris containing wood, agricultural waste, animal waste, sewage, landfill gas, and other organic materials.
- Costs incurred by a taxpayer must be certified by the State Energy Office, in consultation with the Department of Agriculture and the South Carolina South Carolina Energy Office, 1201 Main Street, Suite 430, Columbia SC 29201 803-737-8030, Toll Free: 800-851-8899. www.energy.sc.gov 07/22/08

Institute for Energy Studies, to qualify for the biomass energy equipment credit.

How Now?

- The SC Department of Revenue has prepared Form L-2201 for the SC Biomass Energy Incentive Payment.
- A taxpayer may complete state form TC-42 to claim the biomass equipment credit, but all projects must first be approved by the South Carolina Energy Office. Contact the SCEO at (803) 737-8030 for approval forms and information. Up-to-date forms may also be found at the S.C. Department of Revenue at www.sctax.org.

Disclaimer: This information is not intended to provide advice on legal interpretations of the law. This information should not be relied upon in taking or refraining from taking any action related to the topics covered. The best source of information is guidance provided by the Internal Revenue Service and the South Carolina Department of Revenue.

South Carolina Energy Office, 1201 Main Street, Suite 430, Columbia SC 29201
803-737-8030, Toll Free: 800-851-8899. www.energy.sc.gov 07/22/08